

Message Text

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TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 093104

LIMDIS; PASS USADB FOR AMBASSADOR ONLY

E.O. 11652: GDS

TAGS:EGEN, ECON, XC, XE, XP

SUBJECT:OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
APRIL 11, 1978

1. US-ASEAN DIALOGUE (LIMITED OFFICIAL USE)

THE MALAYSIANS HAVE DIFFICULTIES WITH OUR PROPOSED
JULY 24-25 DATES FOR THE US-ASEAN TALKS BECAUSE OF A
CONFLICT WITH THE JULY 24-28 NON-ALIGNED NATIONS MEETING
IN BELGRADE. WE ARE PREPARING A CABLE NOW WHICH WOULD
PROPOSE SOME ALTERNATE DATES, PROBABLY JULY 20-21 OR
AUGUST 3-4.

THE REPLIES TO THE ASEAN MEMORANDA ARE IN DICK COOPER'S
OFFICE. HIS STAFF HAVE REVIEWED THE REPLIES BUT WANT
COOPER TO SEE THEM PERSONALLY. THEY WERE EXPECTING TO
RETURN THEM SOMETIME TODAY. WE WILL COMPLETE ARRANGEMENTS
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TO DELIVER THEM TO THE ASEAN WASHINGTON COMMITTEE AND TO
THE GOP AS SOON AS WE GET THEM BACK.

2. MEETING WITH ASEAN ON MTN (UNCLASSIFIED)

MEETINGS WITH ASEAN ON THE MTN NOW APPEAR SET. THE US
TEAM WILL MEET WITH ASEAN SENIOR TRADE OFFICIALS IN

SINGAPORE APRIL 19-20,BILATERALLYWITHSINGAPOREAND
WITH THE PHILIPPINES IN SINGAPORE APRIL 21-22, AND

BILATERALLY WITH MALAYSIA IN KUALA LUMPUR APRIL 24-25.

3. CONGRESSIONAL BUDGET RESOLUTIONS (UNCLASSIFIED)

DURING THE WEEK OF APRIL 3 THE HOUSE BUDGET COMMITTEE COMPLETED ITS MARKUP OF THE FIRST BUDGET RESOLUTION FOR FY 79. UNDER THE INTERNATIONAL AFFAIRS SECTION, THE COMMITTEE REDUCED THE ADMINISTRATION'S BUDGET AUTHORITY BY 751 MILLION DOLLARS. THIS REDUCTION WOULD BE APPORTIONED AS FOLLOWS: 555 MILLION DOLLARS FROM THE IFI SECTION AND 196 MILLION DOLLARS FROM THE BILATERAL AID SECTION. IT IS THE INTENTION OF THE COMMITTEE TO APPORTION THE CUTS AMONG A VARIETY OF IFI PROGRAMS SO AS TO AVOID ENDANGERING CONTRIBUTIONS FROM OTHER DONORS WHICH ARE DEPENDENT UPON A SPECIFIC LEVEL OF USG CONTRIBUTION. AN AMENDMENT TO RESTORE THE BILATERAL AID CUT, OFFERED BY REP. FRASER, WAS DEFEATED IN COMMITTEE. THE COMMITTEE IS REQUIRED TO FILE ITS REPORT BY APRIL 14 AND THE HOUSE WILL CONSIDER THE RESOLUTION ON MAY 2-3. THIS FIRST RESOLUTION ESTABLISHES TARGETS WHICH ARE INTENDED TO GUIDE AND INFLUENCE CONGRESS'S SUBSEQUENT REVENUE, SPENDING, AND DEBT ACTIONS. THE SENATE BUDGET COMMITTEE HAS TENTATIVELY ADOPTED A 600 MILLION DOLLAR

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REDUCTION WHICH HAS NOT BEEN APPORTIONED BETWEEN MULTILATERAL AND BILATERAL SECTIONS. HOWEVER THE COMMITTEE WILL RECONSIDER THE ENTIRE INTERNATIONAL AFFAIRS SECTION ON APRIL 12.

4. PL-480 SUPPLEMENTAL (LIMITED OFFICIAL USE)

THE STATE, AID, USDA SUPPORTED REQUEST FOR AN FY 1978 PL-480 SUPPLEMENTAL HAS GONE FORWARD TO OMB. THE REQUEST IS FOR 182 MILLION DOLLARS FOR TITLE I, INCLUDING 35.4 MILLION DOLLARS FOR 100,000 TONS OF RICE FOR INDONESIA, AND 32 MILLION DOLLARS FOR TITLE II. INDONESIA IS THE ONLY EA COUNTRY INVOLVED. AFTER EXTENDED DISCUSSIONS BETWEEN CHIEFLY STATE AND AID, 43 MILLION DOLLARS OF THE TITLE I REQUEST WAS JUSTIFIED ON PRIMARILY DEVELOPMENTAL/ HUMANITARIAN GROUNDS WITH THE BALANCE JUSTIFIED AS NEEDED FOR COUNTRIES WITH SERIOUS ECONOMIC PROBLEMS. WHILE INDONESIA WAS INCLUDED IN THE LATTER GROUP, THE SPECIFIC RATIONALE FOR THE INDONESIAN REQUEST MAKES REFERENCE TO INDONESIA'S DEVELOPMENTAL NEEDS. EB HAS PREPARED A SEPARATE LETTER TO THE PRESIDENT FOR SECRETARY VANCE'S SIGNATURE EMPHASIZING THE IMPORTANT FOREIGN POLICY CONSIDERATIONS INVOLVED IN A NUMBER OF THE INDIVIDUAL REQUESTS, INCLUDING INDONESIA'S.

5. US INVESTMENT POLICY: OPIC (LIMITED OFFICIAL USE)

WITH TREASURY CONCURRANCE AT THE BERGSTEN LEVEL, EB HAS CIRCULARIZED AN IMPORTANT CLARIFICATION OF THE JULY, 1977, INVESTMENT POLICY STATEMENT, WHICH SAYS THAT THE US WILL NEITHER PROMOTE NOR DISCOURAGE PRIVATE DIRECT FOREIGN INVESTMENT. POSTS IN LDCS ARE NOW CLEARLY INSTRUCTED TO GIVE THE SAME SUPPORT TO OPIC THAT THEY HAVE IN THE PAST, AS WELL AS APPROPRIATE ASSISTANCE TO LDCS WISHING TO ATTRACT FOREIGN DIRECT INVESTMENT. IN EFFECT, POSTS WERE ADVISED IN A CLEARED MESSAGE NOT CONFIDENTIAL

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TO READ TOO MUCH INTO THE JULY, 1977, STATEMENT.

6. CODE OF CONDUCT ON MULTINATIONAL CORPORATIONS
(LIMITED OFFICIAL USE)

UN WORKING GROUP ON A CODE OF CONDUCT RELATING TO MULTINATIONAL CORPORATIONS DEVOTED THE GREATER PART OF ITS MARCH 20-31 SESSION TO DISCUSSION OF THE TWO KEY SECTIONS OF A CODE, RESPONSIBILITIES OF MNCs AND RESPONSIBILITIES OF GOVERNMENTS. IT IS DIFFICULT TO ASSESS WHETHER REAL PROGRESS WAS MADE TOWARD AGREEMENT ON A CODE. AS A RESULT OF HEAVY DEVELOPED COUNTRY COMMENTARY, THE SECRETARIAT PROVIDED A DISCUSSION PAPER WHICH MOVED STRONGLY IN THE DIRECTION OF DEVELOPED COUNTRY POSITIONS. THE G-77 REACTION, HOWEVER, WAS SHARP AND NEGATIVE, WITH SOME G-77 MEMBERS OPPOSED TO ANY TREATMENT OF THE RESPONSIBILITIES OF GOVERNMENTS. THE CHAIRMAN WISHES TO SCHEDULE THREE MORE TWO-WEEK WORKING GROUP SESSIONS DURING THE NEXT YEAR, BUT PROGRESS WILL REQUIRE MELLOWING OF LDC ATTITUDES.

7. COMMODITIES (LIMITED OFFICIAL USE)

A. TIN: A SPECIAL MEETING OF THE PRODUCER MEMBERS OF THE INTERNATIONAL TIN COUNCIL (ITC) HELD IN JAKARTA APRIL 5-6 TO PREPARE FOR THE APRIL 10-14 ITC SESSION FOCUSED HEAVILY ON PENDING US LEGISLATIVE PROPOSAL FOR GSA TIN DISPOSALS. THE PRESS COMMUNIQUE NOTED THAT AVAILABLE INFORMATION IS CONFUSING AND IS HAVING AN UNDESIRABLE IMPACT ON THE TIN MARKET, AND CALLED ON THE USG TO ENTER INTO COMPREHENSIVE AND TIMELY CONSULTATIONS WITH THE ITC IN FORMULATING LONG-TERM DISPOSAL PROGRAMS. THE COMMUNIQUE ALSO NOTED AGREEMENT TO PRESS THE PRODUCERS' REQUEST FOR A CONTROVERSIAL INCREASE IN THE PRICE BAND OF THE TIN AGREEMENT AT THE APRIL ITC MEETING, CONFIDENTIAL

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AN ISSUE THAT THE USG HAS BEEN SEEKING TO DEFER UNTIL THE JULY ITC MEETING. SOME DELEGATES (AUSTRALIA AND INDONESIA) PRIVATELY HINTED TO EMBASSY JAKARTA THAT THE PRODUCERS MIGHT STILL BE PERSUADED TO DEFER THE PRICE

ISSUE TO JULY, IF THE US IS SUFFICIENTLY FORTHCOMING WITH REGARD TO THE GSA TIN DISPOSAL ISSUE. CONSIDERING THE SEVERAL VERSIONS OF PROPOSALS FOR GSA DISPOSALS PENDING BEFORE CONGRESS, THERE IS NOT A GREAT DEAL WE CAN SAY BEYOND GIVING GENERAL ASSURANCES THAT WE WILL LIVE UP TO OUR COMMITMENT TO CONSULT FULLY WITH THE ITC ONCE WE HAVE LEGISLATIVE AUTHORITY FOR DISPOSALS AND THAT EVERY EFFORT WILL BE MADE TO SEE THAT THE DISPOSALS DO NOT DISRUPT ORDERLY FUNCTIONING OF THE TIN MARKET.

B. SUGAR: HAVING PREVIOUSLY CONCLUDED THAT IMPORTS OF RAW SUGAR AND SUGAR CANE WERE INTERFERING WITH THE US PRICE SUPPORT PROGRAM, THE INTERNATIONAL TRADE COMMISSION (ITC) MET ON APRIL 10 TO CONSIDER RECOMMENDATIONS TO THE PRESIDENT. WHILE THE RECOMMENDATIONS WILL NOT BE SUBMITTED UNTIL APRIL 17, FOUR COMMISSIONERS (A 2/3 MAJORITY) INDICATED THEY CONCUR ON ESSENTIALLY THE SAME RECOMMENDATION CALLING FOR AN IMPOSITION OF A 3.6 CENTS PER POUND FEE PLUS A TRIGGER FOR COUNTRY-BY-COUNTRY QUOTAS AT ANY TIME THE ADJUSTED AVERAGE US PRICE FOR RAW SUGAR DROPS MORE THAN ONE PERCENT BELOW THE SUPPORT PRICE.

THE PROPOSED 3.6 FEE WOULD BE AN INCREASE FROM THE CURRENT 2.7 CENT FEE. UNDER A COMPLICATED FORMULA, THE QUOTA SYSTEM WOULD BE TRIGGERED, IN EFFECT, IF THE WORLD PRICE DROPPED BELOW 7.3 CENTS. THE PRESIDENT IS NOT REQUIRED TO FOLLOW THE RECOMMENDATIONS OF THE ITC AND IT IS VERY UNLIKELY HE WILL DO SO. HOWEVER IT PUTS FURTHER PRESSURE ON THE ADMINISTRATION TO COME UP WITH ITS OWN PROPOSALS. A CABLE WILL BE GOING OUT TO EMBASSIES IN SUGAR PRODUCING COUNTRIES GIVING FURTHER BACKGROUND. THE KEY POINT WE WILL BE STRESSING IS THAT CONFIDENTIAL

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THE US IS STILL COMMITTED TO MAKING THE INTERNATIONAL SUGAR AGREEMENT WORK.

C. TUNGSTEN: THE APRIL 4 TRADE AND DEVELOPMENT BOARD (TDB) SESSION SUCCEEDED IN AVOIDING A VOTE ON THE PRODUCERS PROPOSAL FOR CALLING A NEGOTIATING CONFERENCE FOR A TUNGSTEN AGREEMENT BY COMING UP WITH A COMPRISE, ACCOMPANIED BY MANY RESERVATIONS. IN EFFECT, THE ISSUE IS SIMPLY CARRIED FORWARD TO THE PREPARATORY MEETING, TENTATIVELY PLANNED FOR JUNE 5-9. THERE WAS NO SUBSTANTIVE PROGRESS IN NARROWING THE WIDE SPLIT BETWEEN THE PRODUCERS LED BY AUSTRALIA, BOLIVIA AND THE PRC (THE OTHER EA TUNGSTEN PRODUCERS, THAILAND AND THE ROK, HAVE REMAINED LARGELY SILENT) AND THE CONSUMERS LED BY THE US.

8. NEW COMMERCE PROGRAM (UNCLASSIFIED)

AFTER PILOT TESTING, COMMERCE AND STATE HAVE CIRCULARIZED INSTRUCTIONS REGARDING A NEW PROGRAM, THE TAILORED

EXPORT MARKETING PLAN SERVICE (TEMPS), DESIGNED TO HELP SMALL AND MINORITY-OWNED BUSINESSES TO ENTER THE EXPORT MARKET. IF SUCCESSFUL IN PROMOTING SMALL BUSINESS EXPORTS, THE NEW PROGRAM MAY DIMINISH CONGRESSIONAL DISSATISFACTION WITH US EXPORT PROMOTION EFFORTS. THE TEMPS PROGRAM IS UNPROVEN, HOWEVER, AND COULD CREATE A SIZEABLE DEMAND ON E/C SECTION TIME AT SOME POSTS. THEREFORE, WE HAVE ADVISED EB THAT WE REGARD THE NEW PROGRAM AS REPRESENTING A SHIFT IN PRIORITIES AMONG COMMERCIAL PROGRAMS, NOT A SIGNIFICANT INCREMENT TO THE OVERALL COMMERCIAL PROGRAM WORK LOAD, AND THAT ADDITIONAL STAFFING FOR THIS PROGRAM IN EA POSTS IS PROBABLY NOT POSSIBLE.

9. GOJ AID TO VIETNAM (CONFIDENTIAL)
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THE GOJ HAS INFORMED EMBASSY TOKYO THAT THE GOJ AND THE SRV HAVE RECENTLY SIGNED AN "AGREED RECORD OF DISCUSSION" ON AN AID PACKAGE TOTALING 16 BILLION YEN IN GRANT AID AND 20 BILLION IN PROJECT ASSISTANCE OVER FOUR YEARS. (73 MILLION DOLLARS AND 91 MILLION DOLLARS RESPECTIVELY AT CURRENT EXCHANGE RATES.) THE SRV HAS AGREED TO REPAY 22 BILLION YEN IN DEBTS OWED BY THE FORMER GVN. THE SCOPE OF THE AGREEMENT WILL NOT BE PUBLICIZED AND WE WERE ASKED TO HOLD THE INFORMATION CLOSELY.
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